

Shaping a California DER Procurement Through Stakeholder Collaboration

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CEC Workshop
The Role of DG and DR in Distribution Planning
April 29, 2005

EPRI DER Public/Private Partnership: California DER Pilot Project

- Goal: Help Southern California Edison (SCE) develop an RFP that yields successful proposals
- Objectives
 - Test the EPRI stakeholder collaboration process
 - Identify win-win solutions
 - Develop a scalable process
- Approach
 - Share analysis of SCE distribution system needs and potential win-wins with stakeholders in workshop
 - Identify and address RFP issues with stakeholder working groups
 - Provide input to SCE's RFP development
 - Monitor results and report
- Outcomes
 - DG community learned about distribution planning needs
 - SCE changed approach to several issues
 - RFP not released yet; no final results to report

Stakeholder Collaborative Process

- Invited stakeholders to Workshop 1
 - Working Group: DER developers, DG manufacturers, customer, SCE
 - Advisors: CEC, other government, other utilities
- Identified issues
- Formed issue groups to address issues
- Met by conference call to discuss and resolve issues
- Reconvened in Workshop 2 to finalize issue discussions and provide high value input to SCE



Issues: Potential Show Stoppers

- **DG Deferral Value:** Will SCE disclose a dollar value for DG?
 - Yes, a market reference price, based on carrying cost of capital for distribution deferral
- **Physical Assurance Requirement:** 24x7?
 - No, just 200 – 400 hours/year, decided by contract
 - Demand limitation, not generation requirement
- **Availability of Distribution System Data:** What data will SCE provide?
 - Two-step process, detailed information to NDA signers
 - Location, load reduction, projected hours of need
- **Eligibility for Other Incentives:** SGIP?
 - Not allowed by SGIP program
- **Additional DG Values:** Wholesale electricity, generation savings from curtailment or demand response?
 - Since curtailment and DR provide generation value, would be allowed in addition to distribution value

RPF Specific Issues

- **Simplification of the Process and Agreement:** How to reduce all parties' transactions costs?
 - **Simpler, less onerous agreement**
 - **Reasonable solicitation process**
- **Eligible Resources:** DG *and* DR?
 - **Both, but DG is required to cover critical loads (as defined by customer)**
- **Tailoring SCE Deferral Agreement to DG Project Realities:** Can deferral periods be extended to provide greater value? Can SCE's Model Agreement be improved to encourage proposals?
 - **Two to three years**
 - **Option to renew**
- **Facilitating Interaction between SCE Customers and DG Developers:** How will SCE inform and will SCE facilitate contacts?
 - **SCE will facilitate interactions**

Broader Issues

- **Alternatives to the RFP Process:** Feeder-specific tariffs, distribution credits, or other substitutes to simplify process?
 - **Important to streamline, but not for this pilot**
- **Business Model:** What will advance DER?
 - **Role of distribution utilities as proactive facilitators and integrators should be enhanced**

Recommended RFP Process

1. Request for interest and qualifications
2. SCE selects qualified respondents (QR)
3. SCE informs customers of QRs
4. RFP released with detailed data
5. SCE facilitates customer-supplier/developer interactions
6. Proposals received
7. SCE negotiates with customers to finalize

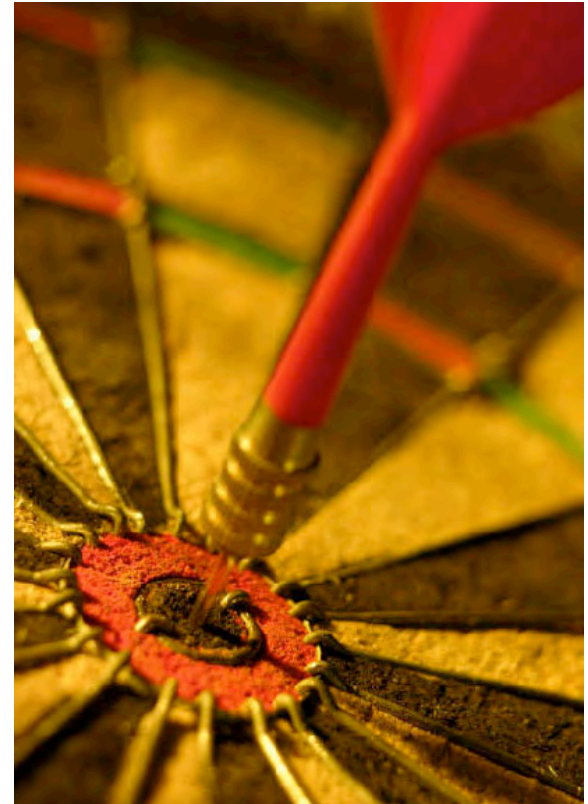


Conclusions

- Stakeholders can resolve showstoppers through collaboration
- Major stakeholder collaboration achievements
 - The customer agreement is for ***demand limitation*** not ***generation***
 - ***Market reference price*** and ***detailed data*** will be provided
- Distribution deferral value is small—will not drive a DER project alone
- Solicitation process is cumbersome and costly
- Outstanding issues remain
 - Will customers propose?
 - Is a solicitation an effective route to include DER in distribution planning?

Stakeholder Recommendations

- Capture all sources of value
- Simplify the process
- Proactively plan for and integrate DER
- Adjust the regulated business model to encourage utilities to adopt distributed energy solutions
- Use stakeholder collaboration to bring change



APPENDIX

EPRI DER Public/Private Partnership Market Integration Overview

Vision:

Improving the quality of life by enabling DER to provide reliable and clean power to meet customer needs and support the power delivery system

Objective:

Provide decision makers with input to policy and market development opportunities to encourage DER integration where it brings value

Approach:

Facilitate stakeholder collaboration to develop and implement win-win DER integration

Funders:

CEC, NYSERDA, Mass Tech Collaborative, TVA, CPS San Antonio

DER Market Integration Progress

2003: Developed tools to enable stakeholder-driven DER integration programs

- Assessed stakeholder perspectives on DER
- Assembled catalog of existing approaches
- Developed cost-benefit allocation model
- Created framework for collaborative win-win DER program development

2004: Implement tools in stakeholder collaboratively-developed DER pilot program

- California

2005: Expand the focus of stakeholder collaboration in regional DER programs

- Massachusetts

Working Group Participants

Developers

- Kevin Best, Real Energy (Sub: Robin Luke)
- Tom Drolet, DTE Tech
- Chach Curtis, Northern Power Systems
- Jeff Lyons, US Power
- Gordon Savage, Simmax Energy

Suppliers

- Tod O'Connor, STM Power
- George Wiltsee, Ingersoll-Rand
- Eric Wong, Cummins
- Kevin Duggan, Capstone
- Bob Bjorge, Solar Turbines

Customers/Customer Representatives

- Justin Bradley, SVMG (Sub: Jeff Byron) *
- Howard Choy, LA County ISD (Substitute: Steve Crouch)

Southern California Edison

- Stephanie Hamilton, Tom Dossey,
- Ishtiaq Chisti, Dan Tunnickliff, Lynn Ferry
- Brian Stonerock, Gary Green

Advisors

- Valerie Beck, CPUC
- Mark Rawson, CEC
- Nag Patibandla, NYSERDA
- Valerie Harris, CPS San Antonio
- Fran Cummings, Mass Tech Collaborative (Substitute: Gerry Bingham)
- Tony Prietto, SDG&E
- Sephir Hamilton, CHG&E
- Eileen Buzzelli, First Energy
- Pat Hoffman, DOE. (Designee: Joe Ianucci)
- Jim Armstrong, NStar Electric and Gas Corp (Invited by Mass Tech Collaborative)

EPRI Pilot Project Team

- John Nimmons, Nimmons & Associates
- James Torpey, Madison Energy Consultants
- Snuller Price, E3
- Dan Rastler, Ellen Petrill, EPRI

California DER Pilot Working Group

